

Daily Policy Digest

Health Issues

June 23, 2009

NO, REALLY, IT'S NOT GOVERNMENT-RUN!

Faced with rising opposition to a so-called "public option" in health care reform, some Democrats are floating the idea of establishing health insurance "co-operatives" as an alternative. A closer look suggests that the co-op alternative is a completely meaningless construct or simply camouflage for the "Public Plan" option, says Michael Tanner, a senior fellow with the Cato Institute.

A "co-op" can be defined as a business owned and controlled by its workers and the people who use its services, in this case presumably the people whom it insures. In that sense, government provision of some sort of legal framework or seed money to help establish health insurance co-ops seems relatively harmless but also relatively pointless. The United States already has some 1,300 insurance companies. Adding a few more would accomplish...what, asks Tanner?

States already have the power to charter co-ops, including health insurance co-ops. In fact, health care co-ops already exist:

- Health Partners, Inc. in Minneapolis has 660,000 members and provides health care, health insurance and HMO coverage.
- The Group Health Cooperative in Seattle provides health coverage for 10 percent of Washington State residents.
- PacAdvantage, a California co-op, covers 147,000 people.

By all accounts the people insured through these co-ops are happy with their choice. But there is no evidence that they are significantly less expensive or more efficient than other insurers, says Tanner:

- The new co-ops would presumably have to advertise like other insurance companies, build physician networks, pay competitive reimbursement rates, and in general act like, well, every other insurance company.
- It is suggested that the new federal co-ops would be nonprofits, and therefore would offer better service and lower costs.
- But many insurance companies, including "mutual" insurers and many "Blues," are already nonprofit companies.

If the new co-ops operate under the same rules as other nonprofit insurers, why bother, asks Tanner?

And there's the rub. Supporters of government-run health care have no intention of letting the co-ops be independent enterprises that operate by the same rules as other insurers, explains Tanner. This is not really about creating more choices and competition. In fact, Sen. Charles Schumer (D-N.Y.) makes it clear, for example, that the co-op's officers and directors would be appointed by the president and Congress. He insists that there be a single national co-op. And Congress would set the rules under which it operates. As Sen. Max Baucus (D-Mont.) says, "It's got to be written in a way that accomplishes the objectives of a public option."

Source: Michael Tanner, "No, Really, It's Not Government-Run!" TownHall.com, June 22, 2009.

For text:

http://townhall.com/columnists/MichaelTanner/2009/06/22/no_really_its_not_government-run!

For more on Health Issues:

http://www.ncpa.org/sub/dpd/index.php?Article_Category=16